

**REPORT OF THE AUDIT OF THE
CARLISLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2001**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARLISLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2001**

The Auditor of Public Accounts has completed the Carlisle County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$43,541 from the beginning of the year, resulting in a cash surplus of \$621,105 as of June 30, 2001.

Report Comment:

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$26,964 To Protect Deposits

Debt Obligations:

Total note payable principal as of June 30, 2001 was \$20,000. Future collections of \$28,816 are needed over the next four years to pay all note principal and interest.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable John Roberts, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Carlisle County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Carlisle County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Carlisle County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Carlisle County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable John Roberts, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2002 on our consideration of Carlisle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Carlisle County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$26,954 To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 22, 2002

CARLISLE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2001

Fiscal Court Members:

John Roberts	County Judge/Executive
Roy W. Davis	Magistrate
Harold Wilson	Magistrate
Burley Mathis	Magistrate
Lloyd Presson	Magistrate
James P. McPherson	Magistrate

Other Elected Officials:

Michael Hogancamp	County Attorney
Larry Byassee	Jailer
Theresa Owens	County Clerk
Kevin Hoskins	Circuit Court Clerk
Steve McChristian	Sheriff
Larry Scott	Property Valuation Administrator
Wayne Floyd	Coroner

Appointed Personnel:

Lavada Bean	County Treasurer
Gail Teasley	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CARLISLE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets

General Fund Type

General Fund:			
Cash	\$	23,263	
Road and Bridge Fund:			
Cash		206,021	
Jail Fund:			
Cash		8,741	
Local Government Economic Assistance Fund:			
Cash		486	
Industrial Development Authority Fund:			
Cash		248,979	
Payroll Revolving Account - Cash		<u>8,931</u>	\$ 496,421

Special Revenue Fund Type

Disaster and Emergency Services Fund:			
Cash	\$	11,922	
Ambulance Fund:			
Cash		113,993	
911 Fund:			
Cash		<u>7,700</u>	<u>133,615</u>
Total Assets			<u>\$ 630,036</u>

Liabilities and Fund Balances

Liabilities

General Fund Type

Industrial Development Authority Fund:			
Note Payable (Note 4)	\$	20,000	
Payroll Revolving Account		<u>8,931</u>	\$ 28,931

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Reserved:

General Fund Type

Industrial Development Authority Fund		\$	228,979
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Unreserved:

General Fund Type

General Fund	\$	23,263	
Road and Bridge Fund		206,021	
Jail Fund		8,741	
Local Government Economic Assistance Fund		<u>486</u>	238,511

Special Revenue Fund Type

Disaster and Emergency Services Fund	\$	11,922	
Ambulance Fund		113,993	
911 Fund		<u>7,700</u>	<u>133,615</u>

Total Liabilities and Fund Balances			<u>\$</u>	<u>630,036</u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CARLISLE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2001

	<u>General Fund Type</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,531,647	\$ 345,763	\$ 796,450	\$ 58,237
Transfers In	247,609	168,534		50,000
Total Cash Receipts	<u>\$ 1,779,256</u>	<u>\$ 514,297</u>	<u>\$ 796,450</u>	<u>\$ 108,237</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,567,652	\$ 414,002	\$ 746,859	\$ 100,711
Bond and Mowing	332			
Transfers Out	247,609	79,075	168,534	
Note Payable:				
Principal Paid	5,000			
Interest Paid	2,204			
Total Cash Disbursements	<u>\$ 1,822,797</u>	<u>\$ 493,077</u>	<u>\$ 915,393</u>	<u>\$ 100,711</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (43,541)	\$ 21,220	\$ (118,943)	\$ 7,526
Cash Balance - July 1, 2000	<u>664,646</u>	<u>2,043</u>	<u>324,964</u>	<u>1,215</u>
Cash Balance - June 30, 2001	<u>\$ 621,105</u>	<u>\$ 23,263</u>	<u>\$ 206,021</u>	<u>\$ 8,741</u>

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2001
(Continued)

General Fund Type		Special Revenue Fund Type		
Local Government Economic Assistance Fund	Industrial Development Authority Fund	Disaster and Emergency Services Fund	Ambulance Fund	911 Fund
\$ 4,370 2,075	\$ 15,248	\$ 25,525 15,000	\$ 183,057 12,000	\$ 102,997
\$ 6,445	\$ 15,248	\$ 40,525	\$ 195,057	\$ 102,997
\$ 5,967	\$ 332 5,000 2,204	\$ 31,566	\$ 168,885	\$ 99,662
\$ 5,967	\$ 7,536	\$ 31,566	\$ 168,885	\$ 99,662
\$ 478 8	\$ 7,712 241,267	\$ 8,959 2,963	\$ 26,172 87,821	\$ 3,335 4,365
\$ 486	\$ 248,979	\$ 11,922	\$ 113,993	\$ 7,700

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Carlisle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Industrial Development Authority as part of the reporting entity.

Industrial Development Authority

The fiscal court has included the Industrial Development Authority as part of its reporting entity because the court appoints a voting majority of the governing board and can impose its will to significantly influence the activities of the authority. The financial statements of the Industrial Development Authority are blended with those of the county.

Additional - Carlisle County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Carlisle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Carlisle County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Carlisle County General Fund Types includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and Industrial Development Authority Fund.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Disaster and Emergency Service Fund, Ambulance Fund, and 911 Fund of the Fiscal Court are reported as Special Revenue Fund Types.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Carlisle County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Industrial Development Authority Fund. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, cash equivalents include certificates of deposit, and investments are stated at cost. For the purpose of disclosing credit risk (Note 3), bank balance includes cash and cash equivalents.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Carlisle County Cooperative Extension Service is considered a related organization of the Carlisle County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

CARLISLE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of August 31, 2000 the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$26,954 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2000.

	<u>Bank Balance</u>
Collateralized with securities held by the county's agent in the county's name	\$ 770,956
FDIC Insured	200,000
Uncollateralized and uninsured	<u>26,954</u>
Total	<u><u>\$ 997,910</u></u>

Note 4. Note Payable

The Industrial Development Authority purchased land from Jack and Mary Boswell, in the amount of \$50,000, for economic development. The initial payment of \$5,000 was paid on May 9, 1996, and the remaining balance of \$45,000 was set up in a promissory note where a payment of \$7,204 was to be paid to the Boswells each April. As of June 30, 2001, the principal balance was \$20,000.

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2002	\$ 2,204	\$ 5,000
2003	2,204	5,000
2004	2,204	5,000
2005	<u>2,204</u>	<u>5,000</u>
Totals	<u><u>\$ 8,816</u></u>	<u><u>\$ 20,000</u></u>

CARLISLE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 5. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

Description	Purchase Date	Maturity Date	Interest Rate	Amount	
Voting Machine	8/13/1992	8/20/2002	3.75%	\$	5,330
1998 1-Ton Truck	9/18/1998	11/20/2001	5.08%	\$	3,100

Note 6. Insurance

For the fiscal year ended June 30, 2001, Carlisle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CARLISLE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 329,053	\$ 345,763	\$ 16,710
Road and Bridge Fund	930,357	796,450	(133,907)
Jail Fund	60,194	58,237	(1,957)
Local Government Economic Assistance Fund	5,225	4,370	(855)
<u>Special Revenue Fund Type</u>			
Disaster and Emergency Fund	15,266	25,525	10,259
Ambulance Fund	142,900	183,057	40,157
911 Fund	<u>96,200</u>	<u>102,997</u>	<u>6,797</u>
Totals	<u>\$ 1,579,195</u>	<u>\$ 1,516,399</u>	<u>\$ (62,796)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 1,579,195
Add: Budgeted Prior Year Surplus			<u>436,036</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,015,231</u>

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SCHEDULE OF OPERATING REVENUE

CARLISLE COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

Revenue Categories	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES	
		General Fund Type	Special Revenue Fund Type
Taxes	\$ 391,837	\$ 215,429	\$ 176,408
In Lieu Tax Payments	10,770	10,770	
Excess Fees	1,879	1,879	
Licenses and Permits	1,639	1,639	
Intergovernmental Revenues	935,960	892,746	43,214
Charges for Services	106,416	26,708	79,708
Miscellaneous Revenues	17,435	10,355	7,080
Interest Earned	65,711	60,542	5,169
Total Operating Revenue	<u>\$ 1,531,647</u>	<u>\$ 1,220,068</u>	<u>\$ 311,579</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CARLISLE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 362,425	\$ 296,756	\$ 65,669
Protection to Persons and Property	110,731	148,757	(38,026)
General Health and Sanitation	1,145	1,422	(277)
Social Services	20		20
Recreation and Culture	1,147	869	278
Roads	915,030	693,112	221,918
Debt Service	4,512	4,511	1
Capital Projects	80,000	22,609	57,391
Administration	175,480	99,503	75,977
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 1,650,490</u>	<u>\$ 1,267,539</u>	<u>\$ 382,951</u>

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	309,088	\$ 283,496	\$ 25,592
Administration	55,653	16,617	39,036
TOTAL BUDGET - ALL SPECIAL REVENUE FUND TYPES	<u>\$ 364,741</u>	<u>\$ 300,113</u>	<u>\$ 64,628</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
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Dana Mayton, Secretary, Revenue Cabinet
Honorable John Roberts, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Carlisle County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated July 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Carlisle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$26,954 To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carlisle County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 22, 2002

COMMENT AND RECOMMENDATION

CARLISLE COUNTY
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2001

The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$26,954 To Protect Deposits

On August 31, 2000, \$26,954 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Judge/Executive John Roberts' Response:

We will comply with the request. The Carlisle County Fiscal Court has been led to believe by the Bardwell Deposit Bank, that indeed, all public funds were secured by pledge of sufficient collateral.

PRIOR YEAR

The following finding was reported in the prior year audit report. It has not been corrected and is commented on in this report.

- The County Should Have Required Depository Institutions To Pledge Additional Collateral Of \$178,464 To Protect Deposits

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM


CARLISLE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CARLISLE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Carlisle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

